

FEB 9 1925

AMERICAN MANAGEMENT REVIEW

Volume XIV

FEBRUARY, 1925

Number 2

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Fifty Cents Per Copy

Five Dollars Per Year

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PUBLISHED MONTHLY BY THE

AMERICAN MANAGEMENT ASSOCIATION

Devoted Primarily to the Consideration of the Human Factor in Commerce and Industry

20 VESEY STREET

NEW YORK, N. Y.

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AMERICAN MANAGEMENT REVIEW

February, 1925

THE MEMBERS' FORUM

To Budget

With the understanding that by "budgeting" is meant not simply the gathering of financial data, but rather what may be called "Operating in Advance" or "Managing for future performance," and assuming that the benefits business may gain through such a process need not be delineated here, the following suggestions are offered for study on the proposition "How to Budget":

1. Establish Responsibility

The importance of a clear and correct organization plan cannot be over-emphasized; one in which the personnel will be correctly placed, in which authorities will be clearly defined, in which control functions will be the governing influence, instead of men or jobs. This is the first fundamental of budgeting, because it is the first element in management control and to budget as meant here, is to manage in advance.

2. Effect Accountability

Vitalize the organization by arranging accounts and accounting methods so that each supervisory employee may completely account to himself and his superiors as to the discharge of his responsibilities. Let the salesman, operator, engineer and accountant determine the feasibility of obtaining costs, of tying-in costs to the accounting controls, of shaping the accounts to reflect operating conditions and of providing for regular financial and statistical reports which shall be intelligible and valuable to the management.

3. Determine Underlying Factors

Find the economic cycle of the business. Analyze the movements of specific external economic cycles which might be brought to bear upon and explain the cycle of the business.

4. Formulate General Policies

Study latest Balance Sheet and Income Statements. Determine existing financial and operating ratios. Utilize the economic data to tentatively forecast sales under tentative programs contemplated as respects territory, production capacity, labor and material supply, probable profits and resultant financial requirements and position, keeping in mind suggestions on these matters requested and received from the personnel of the business, who being close to actual operations are in position to make constructive suggestions as to general policies. In other words, by cut and try method project the Income Statement and Balance Sheet into the future in a preliminary way with as little detail as possible, yet sufficient to permit the reaching of conclusive decisions. Inform Department Heads of resultant policies formulated for their department. This is the first step in the preparation of the final budget and may be likened to the owner telling the architect what kind of a building he wants.

5. Translate General Policies into Plans for Specific Activities

Instruct Department Heads to plan definite programs to give effect to the policies formulated. Inform sub-department heads of these specific plans. This is the second step in the preparation of the final budget and may be likened to the architect preparing blue prints and specifications.

6. Prepare, Systematically, Particulars to Reflect the Carrying out of the Activities Planned

Instruct Sub-department Heads to schedule quantities and values—(A) of products to be sold, in giving effect to sales plan; (B) of labor and material to meet the production and warehousing programs and to construct or replace plant facilities projected for accomplishment; (C) of inventories; (D) of resultant transactions affecting Balance Sheet accounts other than those affected directly by the foregoing. This is the third step in the preparation of the final budget and may be likened to the contractor going over blue prints and specifications received and making up his bid.

7. Assemble, Approve and Disseminate Information as to Policies; Plans and Particulars

Just as economic conditions may dictate that sales, production or financial policy shape the others, even more so do the plans and particulars of one department shape those of other departments. Establish a definite schedule providing for submission, approval and dissemination in logical sequence of interdepartmental information. Insist on adherence to the schedule. This is the fourth and last step in the preparation of the final budget and may be likened to the frequent intercourse necessary as between the owner and

architect, the architect and contractor and vice versa in coming to an agreement on plans for and cost of the building.

8. Provide for Making the Foregoing Continuous throughout the Budget Period

It is humanly impossible to foresee conditions, even over a short period of the future. Recognize this and provide for alterations in the budget which changing conditions necessitate.

9. Provide for Comparing Actual Transactions with Original and Last Approved Transactions and for Summarizing Latest Expectations for the Future.

These comparisons may be found to be the essence of management procedure because they measure management's ability to look into the future and to meet changing conditions.

Incidentally, these comparisons in the hands of each supervisory employee, not only will allow him to check up on his own progress, but make him conscious of the fact that his superiors likewise are in position to measure his ability because it has been said that individual merit can better be gauged by comparing a man's results with an accepted estimate by him of his future performance than by comparing his results with the results of some other individual.

Any organization that is successful in getting the men up and down the line to proceed on the basis suggested, will be surprised, the writer feels, at the over-all results achieved, as compared with anything the same group of men accomplished under any previous conditions.

H. A. FOUNTAIN, *Treasurer,*

The Ohio Public Service Co.

Instructing Workers Through the Company Magazine

The management of a factory can and should instruct employees through the medium of a company magazine. The efficiency of the workers can be greatly increased by this means. It is not an easy task however, and there are many things to consider to handle the project with maximum success.

Workers in large numbers will examine these magazines carefully, and select articles that interest them for study. Almost everyone reads nowadays, and why would not one be especially interested in reading about the place where he spends at least one-half of his waking hours and earns his livelihood?

Workers read articles that interest them. They pass over stories that do not appeal to them. As Mr. A. H. B. Jeffords has written in "Trade Winds," published by The Union Trust Company of Cleveland, Ohio, "Errors which involve the fundamental principles of employer-employee-relations have been universally committed because employees have not been consulted as to their views or desires," so the wise editor will try to find out just what kind of material appeals to the readers and then fill his publication with little else. He will be fortunate indeed if he has a close friendship with some of the workers who are thinkers and can express themselves, men who will tell their thoughts to him and with whom he often converses on subjects of mutual interest. These workers will tell him what they like to read about, and he will find that they are interested in the kind of subjects he wants them to like.

Employees are most interested in stories bearing on their economic advancement, such as "What Opportunities of Advancement Does the Business Offer," "How Can I Win Advancement From the Management."

Next in interest are those subjects which show employees how to secure the greatest reward for their present services, as for example, "Recognition for Good Deeds," "Suggestion Winners and Rewards," "Better Ways To Do Work," "Why an Incentive Wage Payment Scheme Is Used," "How Wage Rates Are Set," "Why and How Time studies Are Made," "The Rules and Reasons for Regulating the Relations Between Storerooms and Employees," and "The Importance of the Individual Worker's Time Ticket."

Stories about the product and tools and machines that they see and make and use appeal to them. They are interested in their own factory organizations, such as the Benefit Association and the Athletic Teams. They like to see their names in print. The wise editor will see to it that every worker's name appears in the publication at least once a year, if the organization is not too large, or at least he will not refer to the same people continuously. Next to seeing their own names, they like to see the names of their friends. Especially are they interested in reading articles written by their fellow workers. The alert editor will ask workers to write short stories about factory things and help them do so if necessary.

One good way to be sure the magazine contains articles the workers are interested in is to find out what they object to and religiously leave out such matter.

They are not interested to any great extent in reading about the vacations of the officers of the company. They would rather be left to imagine that the officers are on the job continuously looking after the workers interests. They do not care to be criticised. They would rather be told how to do things better by suggestion. The magazine should be filled with matter about their connections with the factory. It is wise to leave to the many other

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magazines on the market all other subjects. Lengthy stories should be refused. Very few jokes, poems and clippings from other publications should be used. The magazine should be kept in its own field.

Much of the instruction of workers throughout the agency of the company magazine should be done indirectly by using subjects like those already mentioned and not with a "preaching tang" to them. When a man wins a promotion the magazine should publish the news, and here is the opportunity for the editor in explaining the reason for his advancement, to instruct others along right lines.

One of the most important considerations in using a company magazine to instruct employees is to select a man for editor who is considered by the workers as much interested in them as he is in the firm. He should not be an officer of the company or a large stockholder. He should be a man who has worked his way up through a factory, and one who spends much time in the plants. The firm should feel safe to trust to him the entire management of the magazine. High officials of the company should write articles for the magazine only at the editor's request, so that he will never feel that he is forced to publish material he would rather not. If this policy is adopted he will be able to make it appear more like an employees' magazine than an officials' magazine.

"Give instruction to a wise man, and he will yet be wiser: teach a just man, and he will increase in learning." There are many wise and honest workers in our industries, and they appreciate all honest and intelligent efforts to help them.

A. W. ROWLEY, *Production Engineer,*
Harder Manufacturing Corporation.

Relation of Advertising to Sales

It is always possible to develop a lively argument between advertising managers and sales managers upon the general subject of the relation of advertising to sales. It is true that there will usually be more agreement among advertising men than among sales managers—primarily because in the development of business during the past forty years the functions of the advertising department have become fairly well defined, while there exists but a hazy conception of the proper functions of a sales department. There are vast differences between sales departments. As a consequence, one is compelled at the start to build up a conception of the functions of a sales department from a general study of business organization.

A specific enterprise engaged in merchandising or in manufacturing is vitally interested in the prime functions of production, or buying, and market-

ing, and in their corollaries, financing and control. A business produces in order to sell at a profit; it serves the public best if, in disposing of its goods and making a profit, it markets its product efficiently. And generally, unless it does so, it does not secure the profit.

Good organization practice calls for coördination of sales and production. It is obviously unprofitable to produce what cannot be sold, while greatest profit is not to be secured from manufacturing too much or too little in proportion to the demand. Furthermore, there are grave social consequences of maladjustment of production and sales. In one way or another, therefore, business strives toward adjustment of production to sales.

Likewise, the coördination of the various means of effecting sales needs no support as a general proposition, though there is disagreement as to the means by which that result is to be attained. Advertising and personal salesmanship are the two chief means of selling. The selling problem consists of so planning a combination of the various means of selling—the various forms of personal salesmanship, the numerous forms of advertising, correspondence, et cetera—as to bring about the desired result with the minimum cost. Every demand of the public is in the direction of lower costs of distribution; therefore, in the direction of lower selling costs. The study of proper combinations of personal salesmanship, periodical advertising, direct mail, exhibits, correspondence, and other selling methods is the task of every executive who occupies a position of being responsible for the marketing of a product.

If good organization calls for a definite means of insuring harmony of production and sales and finance, it is equally logical to assert that good organization calls for definite means of bringing about coördination of advertising and personal salesmanship. Just as production is centralized under the almost universal practice under a production manager, so marketing might be centralized under a "marketing manager." Whether the marketing manager is a vice president in charge of selling, or a sales manager, or a former advertising manager, the important point is that he has general responsibility as an operating marketing executive for the smooth working of the marketing department. He must be as willing to cut down the amount of advertising, if he can discover that he has used an undue proportion of that means, as to increase the amount of advertising, if he finds that the general effectiveness of his marketing can be increased thereby. The marketing manager need no more be an expert copywriter than the production manager need be a skilled operator of one of the machines in his department. He needs a broader vision, greater understanding and executive ability than is required for the many positions now occupied by sales managers or advertising managers. Until we view the distribution problem as a whole and attempt to fit advertising and personal salesmanship both quantitatively and qualitatively to the task of bringing about more economical distribution, we cannot hope to make

much progress in the solution of marketing problems. This broad view will not receive the emphasis it deserves, if advertising and sales departments constantly strive for selfish interests, forgetful of the fact that they have a common purpose.

HARRY R. TOSDAL, *Professor of Marketing,
Harvard Graduate School of Business Administration.*

Interrelation of Industrial Relations and Public Relations

If you cannot get along with your own family, you are not likely to get along with your neighbors. In a business institution, if the industrial relations are bad, the public relations cannot be good.

This must be so, since the influences that govern both spring from the same source, namely: the character of the institution itself; and character does not work intermittently. A business institution can no more have bad industrial relations and good public relations than it can be honest on Mondays, Wednesdays and Fridays, and dishonest the other days of the week.

Anyhow, that is how we look at it in the public utility industry.

The employees are the chief points of contact between a utility company and its customers. To a great majority of the customers, they are "the company." What they say to customers, how they say it and what they do influences much what the customers know of the company or think about it.

Hence, in our business, the terms Industrial Relations and Public Relations are coming to be practically synonymous. I am apt to think so the more positively, perhaps, because I have come to Industrial Relations by the Public Relations route. A bit of personal experience will show how.

In the beginning of 1919, when the present management of our company took hold, the company was "in bad"—"in" about as bad and as far as it could be—both financially and otherwise. Apparently, it had not a friend on earth. Its customers were—well, not friendly. Its employees were mostly underpaid, a consequence of its financial state. This did not improve their loyalty and enthusiasm; often they were ashamed to say they worked for the company. Obviously, constructive public relations work was needed in that situation, if ever.

We had not gone far in trying to correct these conditions before we saw that public relations work should begin at home. Upwards of 4,000 persons worked for the company. They and their families, in their daily contacts with neighbors and friends, were interpreting the company to tens and hundreds of thousands of others: hence, the importance of the character of that interpretation.

Obviously, complete understanding of a company and knowledge of its

affairs—complete in the full sense of the word—is the essence of qualifications for interpreting the Company to the public. The entire body of employees, from errand boys up, has to be informed to the limit of capacity to absorb information, with nothing held back or covered up, on what the Company is, how it functions, how it is financed, what it earns, where the earnings go, and so on. In our case, the doing of this helped to focus attention upon Industrial Relations as the main stem of Public Relations.

We already had most of the things that come under the head of Industrial Relations and personnel work, but they were not coördinated and correlated and consciously tied into the company structure. An Industrial Relations Department was created to tie them together and coördinate them for a consciously definite purpose. The new department was then vitalized with Employee Representation—not a new thing in the industrial (manufacturing and fabricating) world but almost if not quite new then in the public utility industry. The point in our adoption of it, which I like best to recall, is this: we did not adopt it as a war-time expedient nor as a means of fighting labor unions and their demands; we adopted it, in a falling labor market, as a logical step in seeking to make the company more efficient and sounder, and an all around better company.

By Employee Representation in our company, the rank and file employees have an equal voice with the management in settling any and all questions pertinent to the relations between them, individually or collectively, and the company. This includes all questions of wages, hours and working conditions.

We like Employee Representation. We like even better the informal opportunities that come to the Industrial Relations Department for humanizing the Company and tightening the bonds between it and its employees. The Department tries to be humanly helpful to members of the working force who get into a tight place and do not know quite how to help themselves, who encounter little personal troubles that might seem trivial to an outsider, but which are very real to the troubled.

The value of all this—the social value, the Public Relations value, in the broadest sense—is incalculable. The employees, thus humanly helped over rough spots, are made happier and, by that, much benefited. Untroubled employees are more efficient employees; the company obviously profits by that. The customers profit still more in bettered service, fewer mistakes and less of the happenings that irritate the customer or inconvenience him.

This work, in our company, is given a due share of credit for results which include increased operating efficiency, bettered service at lower rates and the *financial resurrection* of the company.

So far as we are concerned, the "Interrelation of Industrial Relations and Public Relations" is not a debatable question.

BERNARD J. MULLANEY, Vice-President,
The Peoples Gas Light & Coke Company.

THE MANAGEMENT INDEX

Abstracts and News Items

332. FINANCIAL MANAGEMENT

Standard Costs as an Aid to Profits

A cost system can add to the profits of a business by: (1) Disclosing the existence of preventable inefficiencies, or unnecessary leaks of profits in the factory; (2) furnishing information as to costs of manufacture which will enable the sales department to obtain that combination of sales volume and sales price which will result in the greatest net profit possible under the general prevailing conditions; (3) reducing to a minimum the clerical work in connection with cost accounting in the factory or office. Inadequacies of the job-order cost method and of the job-order cost plus standard cost are revealed. A daily labor efficiency report is desirable. Two charts show how to figure standard costs, details of which are elaborated in the text. By G. Charter Harrison. *Management and Administration*, Jan., 1925, p. 41:5.

One of the Insull Companies Works Out a Unique Scheme

The Central Illinois Public Service Company is offering short-term notes in order to purchase certain properties. Power and light companies almost always have done financing of this type through the sale of long-term obligations. What the company is doing in this new way is to market \$4,800,000 of short-term notes, which it proposes to refund through sales of preferred stock. The company is getting the new money at rates that seldom have appeared in connection with such financing, the 1925 and early 1926 maturities bearing $4\frac{1}{2}$ per cent coupons and the others 5. A novel feature of the issue is that the

notes, which are serial, mature at quarterly intervals—\$400,000 every three months from April 1, 1925, to January 1, 1928, inclusive. The plan is to use the proceeds from sales of preferred stock to take up notes pretty promptly as time goes on. The notes are callable at par on ten days' notice. By Paul Willard Garrett. *New York Evening Post*, Jan. 8, 1925.

Ownership of Public Utilities by the People Distinguished from Public Ownership

In a large and democratic way one of the great utility houses of the country, H. H. Byllesby & Company, has promoted the idea of customer ownership among its customers. The stock was offered for as little as \$5 down, on payments of \$5 a month, and it was taken up so readily that the company enlarged the scope of this popular form of financing. It is noted that in those communities in which the customers of the utilities have become part owners there is a mutuality of good will as between the people and the operating companies. *Penn Public Bulletin*. Nov.-Dec., 1924. Reproduced from the Union.

What a Great Bank Has Learned in Helping Ailing Businesses

An interview with Fred W. Shibley, Vice-President of the Bankers Trust Company. Sales managers should keep in mind the distinction between earning a profit on sales and a profit on invested capital. Scores of businesses have been saved to their investors in the past few years by the simple expedient of making

the product a little different in some way. A product should be differentiated from competing products so that it can be sold on its own merits. By Robert R. Updegraff. *Advertising and Selling Fortnightly*, Dec. 31, 1924, p. 13:3.

Forecasting Your Industry's Cycle

A method of developing a common denominator for purposes of studying the significance of the fluctuations of other related industries upon which one particular business depends. Various tables and charts show how this may be done. For example, steel sales cycles are caused by building cycles. There is always a vast fund of current information about building cycles. After a consideration of

the elements of the average demand cycle, a curve for the one particular industry may be projected. By Joseph H. Barber. *Management and Administration*, Jan., 1925, p. 15:6.

Fitting the Cost Department into the Organization

The important thing is to determine, and then agree upon, what the cost department is for, and what part it shall play in the general program of company progress. Cost departments fall into three classes, those that are neglected, those that are endured and those that are utilized. The article is copiously illustrated by organization charts. By John H. Van Deventer. *Industry Illustrated*, Jan. 1925, p. 18:2.

651. OFFICE MANAGEMENT

651.1 Space: Location, Equipment, Arrangement

Arranging the Bank Layout to Increase Efficiency

The up-to-date bank is just as much interested in securing an interior arrangement designed to facilitate the operations of banking, as in an architecture intended to make a favorable impression upon the public. Consideration of the points mentioned in this article makes it apparent that the designing of a bank building and the interior arrangement should be approached only after a thorough study of the requirements of the business and the recent developments in office and banking methods. Almost as much may be done in a bank that is simply moving to new rented quarters, and much is possible in the way of rearrangement of present quarters for a bank that is suffering from congestion. By Warren D. Bruner. Reprint.

The Bankers' Monthly, Dec., 1924, 1 1/4 pages.

Getting Results in Office Lighting

Simple changes resulted in an increase of 40-60 per cent in the lighting of a large office building. A war against glare and gloom has been declared. Dark paints absorb light as sand soaks up water. A chart shows the efficiency of several colors. A glazed surface is inferior to a mat or stippled finish and the proper size and voltage of lamps must be considered. There is a great difference in the efficiency of commercial globes and there should be an absorption loss of not more than 15 per cent. A regular maintenance system for cleaning globes will prevent loss of light from accumulation of dirt. By Samuel G. Hibben. *The Office Manager*, Feb., 1925, p. 10:3.

651.3 Organization: Job Analysis, Employment, Pay

Finding People for Promotion

A plan has recently been put into effect in the American Optical Company which

it is hoped will be of practical use to the executives and to the employment department in finding those who deserve promo-

tion. During the past month the superintendents and office heads have been rating every worker on a blank called "Rating of Employee." This is really not a rating at all. It carries no score. It is an inspection of a person from four sides, character, workmanship, disposition and natural ability. There is also a fifth question, "Do you recommend this person as exceptionally qualified for advancement at some future time, when opportunity may offer? Why?" When this question is answered by "Yes" the inspection blank is put into a special promotion file by the employment department. All other ratings are inserted in the employee's labor record. Twice a year re-ratings will be asked for these persons, and all the names will be shown to all the four or five general executives of the company. The new plan guarantees nothing, but it means that the company is giving its best workers an opportunity in the whole company rather than in one department only. *Wellsworth Life*, Jan. 16, 1925.

Pooling Operating Personnel

The economical administration of clerical personnel in large organizations presents practical problems which are somewhat the same whether the organization be a government bureau, a clearing house or a sales department. The clerical pool is no novelty, either in business or government offices, but its effective use is not as general as it would be if the precautions which are here described were kept in mind. By F. J. Hughes. *The Journal of Personnel Research*, Jan., 1925, p. 335:3½.

Notes on Rating

The rating of a single individual on a number of traits has been found to give a somewhat less reliable picture than when a number of individuals are ranked in a single trait, all of them being ranked in an order of excellence in one trait at a time. The apparent inferiority of the rating method may be due, at least to some degree, to the halo effect, or the carrying

over of the general impression of an individual, which would be more likely to influence the rating of specific traits when considering an individual alone than when considering him as a member of the group. By Percival M. Symonds. Convention address before the American Psychological Association, Dec., 1924.

Research in Federal Personnel Work

Before undertaking to devise measurements of qualifications necessary to perform certain tasks, the tasks themselves should be simplified as far as possible in order to obtain the greatest possible output with the least possible strain on the worker. When the tests are made, greater emphasis should be placed upon their actually being practical, and not merely looking practical. Studies are reported on the relative selective value of intelligence and of special aptitude tests for distributors in the post office, and also for the selection of railway postal clerks. By L. J. O'Rourke. Convention address before the American Psychological Association, Dec., 1924.

Defining Degrees in Rating Scales

There is no one "best" form of rating scale. Any rating must be made in terms conformable to the rater's habits of judgment and in terms of the situation in which it is made and the uses to which it is to be put. In some instances it may be advisable to make ratings in departmental terms rather than in all-office terms. This procedure, used in conjunction with a program of analysis of ratings and training of raters, has been found practicable in at least one organization. By Forrest A. Kingsbury. Convention address before the American Psychological Association, Dec., 1924.

A Statistical Study of Vocational Histories

A compilation of the intimate details regarding actual vocational careers of about 700 high grade office workers demonstrates

the usefulness of this type of research in the establishment of policies of vocational guidance and personnel administration. The factors considered were frequency of desire for change of vocation, time spent in previous positions, relation between salary and education, and the like. By Harry D. Kitson. Convention address before the American Psychological Association, Dec., 1924.

Suggested Tests for Supervising Clerk

The tests suggested in this article have not been standardized in the technical sense of the word but represent the judgment of the authors as to the best civil service, industrial, and psychological practice that has been developed. The suggestions of a number of civil service administrators, personnel managers, and psychologists interested in improving tests also have been secured and to a considerable extent followed. By Fred Telford and F. A. Moss. *Public Personnel Studies*, Dec., 1924, p. 288:4.

Average Range of Current Starting Salaries in Office Positions

A survey which discloses the range of starting salaries in office positions typical of the New York City territory. In some instances, higher figures are evident because of the increment in the value of employees, which comes with each week and month of service. *Industrial Relations: Bloomfield's Labor Digest*, Jan. 10, 1925.

The Duties and Responsibilities of the Company Secretary

The technical knowledge, together with the legal responsibilities necessary to hold this office, are outlined in this article. Still further he must to the last degree be trustworthy. As the executive officer of the company, he will have endless opportunities of using discretion and judgment in disposing of the many matters too small to occupy the time of the board of directors. In order that the system of the

company's office may run smoothly and efficiently, the secretary himself must be methodical and orderly. He is also largely responsible for maintaining equitable relations between employers and employed. By D. C. D'Eath. *Business Organizations and Management*, Jan., 1925, p. 253:534.

Principles and Practice of Salary Administration

In a consideration of an equitable basis for salaries there are three principal factors: economic, social and managerial aspects of the problem. Salary inequalities often are responsible for an unnecessarily high payroll, but even where the payroll is low, the adverse effect on the morale of the workers more than offsets any saving. A definite conception of the duties of a position is necessary to successful living. Following the labor market too closely is unsound. Salary increases should accompany a recognized system of promotion. Proper salary administration should go hand in hand with a sound method of selection, adequate training, an accurate rating system and impartiality throughout. By H. A. Hopf. *The Office Manager*, Feb., 1925, p. 7:3.

Exchange of Executives

A group of twenty establishments engaged in the same business but scattered over the country have undertaken a system of exchanging their general superintendents for short periods. To some extent this idea has been tried with small groups of foremen and others. All the principal executives are part of the plan, taking part in the frequent conferences and laying open the details of policy which a short visit might not disclose. It is a recognition of the fact that the art of supervision is a growing art and that a good deal of sound experience is now available. *Industrial Relations: Bloomfield's Labor Digest*, Dec. 27, 1924.

651.44 Employee Service: *Health, Recreation***Guarding the Health and Efficiency of
Bank and Trust Company
Employees**

Some time ago the American Trust Company reached the conclusion that it would be desirable to secure the services of a physician, who would be available at regular office hours to anyone who desired to consult him. The main purpose of establishing this service was to enable each employee to have a free physical examination each year. The doctor does not treat individual cases or ailments, except in

emergencies, but does make general suggestions to any employee consulting him. The service is in no way compulsory, but new employees coming into the bank are urged to avail themselves of it to the fullest extent. In actual operation, the doctor holds two office hours a week, which has been found sufficient. The company has emphasized the fact that the relations between employee and doctor are the usual confidential relations between physician and patient. By W. L. Stoddard. *Trust Companies*, Dec., 1924, p. 769:1.

651.447 Training and Education: *Schools, Libraries, Employee Publications***The Basis of Industrial Psychology**

Life is an integral whole and the worker in the plant and the citizen in the home are essentially the same individual. Productive efficiency, like capacity for concentration, is a product or expression of a total mental situation.

Present psychological methods of investigation are unsound. One examines the inner articulation of concentrated thinking and makes small effort to discover why an individual should concentrate in this or that direction or how it is he achieves the mental tension necessary. Another psychology examines the inner articulations of obsessions in a similar manner. A third concerns itself with industrial production and limits its inquiry to those aspects of productive activity it considers to be relevant to the problem. They cannot even correlate the different methods they employ.

There are two general forms of psychology in the field—the academic and the medical. The academic is the more logical and scientific in method. The medical has the advantage in the fact area surveyed. Academic psychology has tended to neglect unduly moods of mental relaxation, regard concentrated thinking as the only fact for psychological investigation and to disregard the wider awareness or total situation

of which concentration is at all times the expression or product. Medical psychology has brought to light four general mental states—concentration, dispersed attention or revery, hypnoid states and sleep. It shows the importance of revery in education and in all determination of personal attitudes, and it demonstrates the total situation to be the fundamental fact for psychological study.

Training in psychology is becoming increasingly necessary for successful management. Modern methods of industrial organization tend to impose on the average individual long periods of revery thinking, and pessimistic reveries which culminate in disorder and unrest are relatively easily controlled, provided the management has a means of discovering the nature of the cause. By Elton Mayo. *Taylor Society Bulletin*, Dec., 1924, p. 249:11.

**What Industrial Psychology Asks of
Management**

Psychologists have four things to ask of management—patience, discrimination, research opportunities, and reliable criteria. Patience is needed while social psychology develops (for all thorough going research moves slowly), while psychologists become familiar with plant and office management.

Moreover, the psychologist is most interested in increasing the well-being and enduring satisfactions of men, trusting that there may be no diminutions of profit; and he also wants to test out certain general principles and to introduce proposed improvements, one at a time, letting each operate, singly, long enough to measure the results and demonstrate whether or not it is really an effective remedy.

Psychology asks more discrimination than management engineers have shown in the selection of psychological collaborators. There should also be discrimination in the application of conclusions to actual situations. Psychology asks for suitable research opportunities with adults on real problems under factory conditions. By W. V. Bingham. *Taylor Society Bulletin*, Dec., 1924, p. 243:6.

651.45 **Benefit Systems and Incentives: Pensions, Profit-Sharing, Suggestions, Vacations**

Pension Plan of Equitable Trust Company

The principal features of this plan include an old age retirement allowance, ordinary and accidental disability allowance, and ordinary and accidental death benefit. The plan provides that employees deposit with the company a percentage of their salaries based on age at entrance. Upon retirement the company will add to total contributions of each employee a sum equal to employee's total contributions and interest. Employees leaving the service of the company will have returned to them the entire total of their contributions with interest. *Industrial News Survey*, Dec. 29, 1924.

651.5 **Records: Forms, Charts, Cards, Files, Statistics**

Forms Will Be Smaller and Thinner

Methods of reducing printing and stationery bills in banks. There is a wide divergence of opinion concerning the amount of paper that should be used for a deposit ticket or a ledger sheet. One bank will have a very large liability card, and

The Practicability of Employee Training Courses

The office manager of the Stanley Works describes their conference plan of educating workers in such subjects as invoicing goods, economic services, chain stores, financing the business, stock ownership, suggestion plans, group insurance, etc. Papers on some of these subjects were prepared by senior and junior clerks and evoked considerable discussion. This company does not attempt to train women in business, as the supply of help seems adequate without that, and as the average duration of a woman's stay in that business is three years. The author feels that duplication of training offered by institutions established for that purpose should be avoided. By Walter R. Fletcher. *The Office Manager*, Feb., 1925, p. 51:3.

Big Companies Encourage Saving

The Continental and Commercial Bank co-operates with various firms with big payrolls by canvassing each employee on the idea of having a definite amount deducted from the pay check each time for deposit in a savings club.

The Curtis Publishing Company has installed automatic savings machines in co-operation with the United Security Trust Company which enables money put in the slot to be recorded on the savings pass-book.

The Santa Fe Railroad sells its stocks to employees through the company treasurers, which may be made by payroll deductions if desired. *Personal Efficiency*, Jan., 1925, p. 25:1/2.

another bank uses a neat little card that carries the same information in half the area. The advantages of the smaller size are not only the saving in paper stock, but also the saving in filing equipment and space. The subject of bank form design and specifications pays handsome dividends

on the time required for its study. By Frank Loomis Beach. *The Burroughs Clearing House*, Jan., 1925, p. 21:1¾.

Making the Check a Good-Will Unit

Old Fashioned Millers, Inc., of St. Paul, has adopted an unusual check to carry its name and product wherever each check may go, furthering the idea that its products are as good as the old-fashioned kind

were. By using this type of check the company gets its message of good-will and its personality on almost every piece of paper that leaves the office. Out of the hundreds of checks which are received by the average company, few are distinctive, and the advertiser who does utilize his check for advertising is getting in one more telling blow. *Printers' Ink Monthly*, Jan., 1925, p. 42:¾.

658. PRODUCTION MANAGEMENT

658.1 General: Promotion, Organization

My Test of Management—Handling Exceptions

Through long experience with the Link-Belt Company the conclusion is reached that modern management is built up on what may be termed the exception plan. The head of each department, while supervising routine operations, has referred to him for decision everything out of the ordinary. The department head decides as many of these questions as he feels competent to do and passes the more difficult decisions on to his superior. The executive must not immerse himself in routine matters, he must hold himself free to take care of the exceptions. He is, in effect, an emergency man, and it would mean death to his usefulness if he made himself the slave of a time-table. By Charles Piez. *System*, Jan., 1925, p. 37:1¾.

Development of Business Practices

The best method for improving present business practices is that there should be co-operative effort on the part of the men within an industry. Herbert Hoover has said: "The government will have to enter in when business shows that it cannot solve its own problems; it is therefore necessary for each line of business in the first place to be so equipped and organized that it can take care of every problem which arises in this intricate maze of invention, production and use; and, in the second place, to see to it that there shall be provision for

the enforcement of the rules by the industry itself when those rules are not lived up to." By John Van der Vries. *Brick and Clay Record*, Dec., 1924, p. 906:¾.

Our Budget is a Guide, Not a Tyrant

An interview with Ernst G. Roth, president of the Western Clock Company, gives his thirty-five year budgeting experience. The nature of this business lends itself to budgeting, as preplanning is a necessity. A standard cost file gives important data, and a check is made of the output and capacity of machines. The necessity for training operators means anticipating a need for them well in advance. A complete budget must be developed step by step, not superimposed. *Factory*, Jan., 1925, p. 53:4.

Profit-Making Management in the Factory

Fundamental methods of industrial engineering fall into a few main groups, such as: costs and statistics, the budget, incentives to production, planning and producing, and personnel. A cost system enlightened by statistical records is an indispensable aid to an industrial executive. The budget system, which has been used fragmentarily and is still in the process of development, concentrates the attention of the executive organization members on a definite minimum result. Incentives are variously used for other results than volume, such as: reduction of wastes, effec-

tive operation of machines, and can be applied to any manufacturing unit. Standardization is a natural operation of the industrial executive mind since it must and does consider ways, means and periods of operations. A planning policy which begins with the stocks and stores of raw, semi-finished and finished supplies is the first step toward effective production. Personnel methods include the worker's education, training, safety, insurance, thrift and living conditions, and bases of co-operation. By B. A. Franklin. *Management and Administration*, Jan., 1925, p. 21:5½.

Mass Production and the Personal Factor

The effect of mass production principles on individuality and initiative is having a repressive effect. Life is in danger of becoming scientifically systematized, and man of becoming a mere automaton. As a self-contained unit, the small trader stands for a principle badly needed by commerce and industry, which is that man's proper duty is to be universal rather than a specialist. The important thing is that there is a limit set to the scope of the multiple production machine. That limit is marked by human taste and liking. In a certain sense, the more completely the automatic

process develops, the greater the number of workers who shall be set free for artistic labor. And the small trader in his little shop or his little factory stands for the principles of liberty and of the complete but small unit of service. By Albert E. Bull. *Business Organisation and Management*, Jan., 1925, p. 297:4¾.

To Win Worker's Confidence, Take the Mystery Out

At the meeting of the General Advisory Committee of the American Rolling Mill Company, the management explains company policies and endeavors by analyzing its financial statements to explain away the mysteries of business. The function of the General Advisory Committee may be stated thus: First, to consult with and learn the policies of the general management; second, to convey to the employees an understanding of these policies and to reflect any sentiment of the employee that may be of help to the general management. The committees have no administrative, executive, or legislative functions. The General Advisory Committee is composed of all the Departmental Advisory Committees, of which at the present time there are 40 with 148 members. By Charles R. Hook. *Trained Men*, Feb., 1925, p. 27:3½.

658.2 Plant: Location, Lighting, Heating, Ventilation.

Ventilating Home and Workshop

To open the windows or to shut them, that is the question. The use of windows alone for the ventilation of large enclosures like offices and workrooms has generally been regarded inadequate. The temperature of the air of a room is the most important factor in practical ventilation. First, air at a high temperature, around 75 degrees, especially when it is moist, interferes with the normal loss of body heat. Under cooler atmospheres, experimental subjects are able to perform a larger amount of work than in warmer air conditions. Ventilation or air change is not as

necessary in order to take care of chemical alterations in the air as is generally believed, as the changes in the oxygen and carbon dioxide content of even badly ventilated rooms are too small to have any harmful effect. On the other hand, the physical conditions of the atmosphere are highly important. Ed. by Dr. F. O. Elder. *The "A. C. L."* Jan. 10, 1925.

Management's Progress Toward New Standards

Opinions are expressed by several leading factory executives as to which of the following tools of management had been

the most useful in 1924: (1) Simplification; (2) production planning and control; (3) material handling; (4) elimination of waste; (5) closer executive control through budgeting, through accounting which focuses the attention on crucial points, through predetermination of costs; (6) getting better results from labor by incentive plans, by industrial councils, by personnel work, by safety; (7) increase of manufacturing turnover through attention to purchases, inventories, and smooth flow of work in process; (8) stabilization—the reduction of peaks and valleys; and (9) reduction of costs by constant attention to details such as routing, process improvements, opportunities for labor savings, improvement in materials, better inspection, improved lighting and ventilation. *Factory*, Jan., 1925, p. 21:5.

Good Industrial Lighting : Its Value to the Consumer

Three primary principles of good lighting have been laid down which should be complied with in all factories. These are: 1. Provision of sufficient lighting at the place where work is done; 2. avoidance of glare or dazzle to the eyes from bright unscreened sources in the field of view; and 3. elimination of troublesome shadows on the work. The exact conditions needed for each industry depend on many circumstances. The amount of illumination, for instance, will depend both on the fineness of the work and on the nature of the material; that is, on the amount of light which it reflects. By J. S. Dow. *Business Organization and Management*, Jan., 1925, p. 249:3¾.

658.3 Industrial Economics: Labor and Capital, Wage Theory, Legislation, Immigration

What is Surviving in Wage Payment?

Results of a questionnaire issued to various industries throughout the country show that almost no factories have recently made any fundamental changes in their methods of paying labor. Interesting comments by leading executives are made. *Factory*, Jan., 1925, p. 44:1.

The Problem of a Just Wage

In recent years the "living wage" has most often been regarded as a standard of justice. But the ideal of the "living wage" is far from offering a satisfactory solution of the problem of a just wage. As this standard is actually applied by wage boards it commonly results in a wage so low as to require the most severe economy and is adequate only for the meagerest of lives. As a matter of fact, why should a mere living wage be regarded as just or satisfactory for the laboring class when it is not so regarded for the other classes of society? The suggestion is here offered that the laborer is not an unrelated partner in production but that he is a unique

combination of the capitalist, enterpriser, and landlord. It is often said that the laborer wants to share in the profits of industry but is unwilling to accept any of the risks and losses. But does he not bear some of the most serious risks and losses known to industry? There is the risk from accident, impairment from industrial diseases and unemployment.

All of this does not mean that in every case a just wage is high wage, but it does give a better basis for comparison of the rewards of the laborer with those of the capitalist, landlord and enterpriser. By Ellery F. Reed. *The Journal of Social Forces*, Jan., 1925, p. 330:5.

Labour Conditions and Labour Regulation in China

There has been an extremely rapid development in China of modern industrial methods, with resulting dangers of the exploitation of the workers. At the time of the Washington Conference, information with regard to conditions of labour in China was practically non-existent. Now,

the information is considerable and every day tending to increase. The Chinese Government itself, not only through its Government Departments of Agriculture and Commerce, Communications, and the Interior, but also through its Bureau of Economic Information, publishes valuable particulars.

As to what has been done, the first and greatest result consists in the Chinese Provisional Factory Regulations. These constitute the definite acceptance by the Chinese Government of the principle of the improvement of labour conditions by factory legislation. *International Labour Review*, Dec., 1924, p. 1005:23.

658.41 Employment: Classification, Selection, Tests, Turnover

Opportunities for Rehabilitation of the Industrially Disabled

Five years ago Pennsylvania as a Commonwealth created a Bureau of Rehabilitation in the Department of Labor and Industry to return to suitable employment residents of Pennsylvania disabled by industrial accidents occurring in Pennsylvania. Active field work was begun January 1, 1920, and, during the succeeding four years, more than thirty-five hundred disabled persons, unable to obtain employment through their own efforts, have requested the aid of the Bureau. By S. S. Riddle. *Labor and Industry*, Dec., 1924, p. 7:6.

Lunch Wagon Becomes Lunch Car

Employees in a lunch car differ from those of the ordinary restaurant. They are usually men who have entered this business because they see in it a future. They expect at some time to own their own cars. Doubtless this character of the men in the cars is largely responsible for the 'clubby' atmosphere which prevails. The man behind the counter recognizes his customer with a sort of fellowship. This may be termed the psychology of the lunch car which the public has grown to recognize. By E. J. Tierney. *American Industries*, Jan., 1925, p. 27:33½.

Steady Employment and Sound Business Policy

Unemployment due to the business cycle or to short sighted industrial management is costly, both to the employer and to the employee. Some of the causes of unem-

ployment lie within the employers' direct control, and while no rules of general application can be laid down for handling this question, the following suggestions may prove of assistance:

1. Anticipate the depression.
2. Accumulate reserves when business is good; funds will then be available to take advantage of conditions which a depression causes.
3. Prepare while business is good to increase your selling strength in proportion as the market weakens.
4. Plan to increase the sales-appeal of your product, when the market is dull.
5. When sales are below normal staple products may often be made and held for future market more profitably than they can be made under the conditions of renewed activity which are bound to follow.
6. The relative advantages of laying off and part time should be carefully considered, bearing in mind the loss to industry of permanently losing skilled employees.
7. Eliminate seasonal unemployment so far as possible in your industry and your concern.

Report of a Special Committee of the Associated Industries of Massachusetts. *Industrial Relations: Bloomfield's Labor Digest*, Jan. 3, 1925.

Printers Adopt Mental Test

A mental test to determine the fitness of apprentices has been made compulsory for admission to the Toronto Typographical Union. Most psychologists will be amused at the idea that valid tests have been developed; others will be elated. Industrialists will ask what relation it has to the limitation of apprentices. *New York Herald-Tribune*, Dec. 27, 1924.

658.44 Employee Service: Hygiene, Recreation, Lunch Rooms, Stores**Big Industry Uses Chlorine Treatment**

The big industrialists have been more prompt in trying chlorine for the benefit of their employees than have the doctors or the hospitals. It has already been reported that the General Electric Company in Schenectady has established an inhalation chamber. Other organizations which have done the same thing include the Carnegie Steel Company, the National Tube Company and the Westinghouse Company of Pittsburgh, the Endicott-Johnson Corporation, and the Hooker Electro-Chemical Company. The treatment is practicable wherever a room, large or small, can be devoted to it. The apparatus required is simple and inexpensive, and its maintenance costs little. *The New York Times*, Dec. 31, 1924.

A Million Men Idle

The money cost of industrial accidents to the country is about \$1,000,000,000 a year. Taking into account all fatal and non-fatal accidents, the loss of working time totals nearly 300,000,000 working days. An outstanding feature is the tremendous number of lost fingers and thumbs. Without question these accidents, and therefore the unrest and waste arising from them, could be eliminated in large measure by improved protective devices and by persistent efforts to educate employees in safety matters.

Among the industries, transportation shows the largest quota of deaths from accidents, chiefly owing to the risks involved in railroad work; but manufacturing is a close second with 23.6 per cent of the total. *Executives Service Bulletin*, Jan., 1925.

Welfare Work in the Woolen Textile Trades

In spite of some exceptions, welfare work in the woolen textile trades is only at the beginning of the road. A department manager explained the reason for this in this way. In matters of trade organiza-

tion the woollen and worsted trades were about half a century behind the cotton industry. Another explanation was that the woollen industry has kept that which the cotton industry lost fifty years ago—the small mill, the owner manager, the personal touch. In other words, small scale firms are still the main feature of the industry. And the small firm does not provide occupation for a full-time welfare worker. With so close a connection between employer and employed the need for welfare work is not acutely felt. By N. J. Kessler. *Welfare Work*, Jan., 1925, p. 4:2½.

Ford Opens a Grocery Store

Henry Ford has now applied the same efficient methods to groceries as in the manufacture of automobiles in opening a grocery store at Detroit at one of his plants which is open not only to his employees, but to the general public as well.

Cash and carry is the rule. Aside from that principle, the system is entirely different from that operated in any other grocery store. It is based on his famous "assembly" system used in the manufacture of his cars. The store is arranged with a long counter running the length of the room. Every commodity is put up in standard units of weight or count, and as nearly as possible every article is ready to hand over the counter to the customer without a second wrapping. One buys a dozen eggs, a pound of butter; units are not broken.

As each customer enters the store she is given a tag. The customer walks the distance of the room past the counter and as she takes from the clerk the merchandise she desires, the clerk marks with pencil on the tag the amount of merchandise bought from him. At the end of the line a cashier foots up the items and after taking payment stamps the tag "paid." The tag is taken up at the exit and is deposited in a box, as a record of the day's business.

Mr. Ford is not in the business to make money, but to keep prices where he may

be able to evolve through his efficient methods, some plans which can be carried over into independent stores in other sections of the country. *The Carnation News*, Jan.-Feb., 1925.

Employees' Co-operative Buying—List of Firms

Collective-purchase plans in industrial plants are of all degrees of co-operative-ness. In those schemes operated wholly by the employees themselves, there are informal buying clubs and employees' stores. Four firms reported that a co-operative store was operated by the workers. Collective purchase schemes in which the buying is done through or from the company fall into three main classes: Purchase of company products, from company stores, and through company buyers. One large company maintains a store where the goods handled by the company are sold to its employees at a 15 per cent discount. In other cases, the employees' orders are filled through the company's regular buyers. Still another company purchases for its workers tobacco, candy, coffee, sugar and potatoes, any profits thereon being turned over to the employees' benefit society. *Industrial Relations: Bloomfield's Labor Digest*, Jan. 10, 1925.

After the Whistle Blows

Unless their leisure hours are contented, employees leave town. So the biggest and most important sociological job is in the direction of improving industrial community life, helping the workman and his family to find happiness and wholesome occupation outside the factory fence. No industry, perhaps, has taken keener interest in solving the leisure-hour problem than has the rubber industry at Akron. Realizing that permanent homes tend to steady and stabilize the workmen, the Goodyear Tire and Rubber Company engaged in a real estate venture, differing from similar ventures or enterprises, because of the absence of rules, regulations and restrictions.

The Belding Brothers and Company provide fine homes or clubs, which are veritable mansions, for their young women employees. Before the erection of these club houses with recreational facilities, the company tried to get and keep the right type of workers, but each new season found big gaps in the mill personnel. But now there is a waiting list, and the turnover problem has disappeared. By Maxwell Droke. *Business*, Jan., 1925, p. 24:2.

Why the "T" in the Texaco Emblem is Green

To catch and hold the attention of refinery employees on matters affecting their personal safety is at least 90 per cent of the company's accident problem. The remaining 10 per cent includes those responsibilities within the control of the management. The safety bulletin has been the best weapon in the educational safety work. In addition to the ordinary types of bulletin boards, large signboards of the bill poster type are utilized to advertise safety to the personnel. Brief, effective safety slogans and messages are painted on these larger boards at regular intervals. There are 76 bulletin boards in the Port Arthur refinery on which bulletins are changed twice monthly. Through the services of a staff artist and a plant photographer, an accident occurring in the morning is posted on the bulletin boards the following morning.

Information on accidents is obtained from the foreman instead of from the injured worker. Employees injured by accidents carry the burden of the accident losses from the wage standpoint. Another useful safety medium is the employees' magazine, *The Look Box*, which exercises a very real influence. By George Earl Wallis. *National Safety News*, Jan., 1925, p. 5:4.

Shall We Keep Them Apart?

The question as to whether it is wise to segregate the sexes in the average indus-

trial cafeteria. As a rule it has been found that the general dining room exceeds the segregated rooms in popularity. In some cases segregation leads to dissension and often to the point where employees leave. In the banks, segregation seemed particularly unpopular. The factories were divided. One of these stressed the point that it could administer better to the tastes of men and women respectively if it could

devote an entire steam table to the particular wants of each sex. Mail order houses were divided on this question. One of them, Montgomery, Ward & Company, has splendid separate dining rooms and steam tables, because the men like to come in from their work without cleaning up too much, and wish to feel under no restraint. By Jonas Howard. *Cafeteria Management*, Jan., 1925, p. 11:1¼.

658.447 Training and Education: *Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards*

Apprenticeship Training in Connecticut

In Connecticut there is a state supervised system of trade schools, so that the supervision is immediately taken out of the direction of the Open Shop Conference or the Manufacturers' Association and is entrusted to a well organized state department with a state appropriation behind it, conducted on broad and not on narrow trade lines. Efforts, then, have been entirely toward strengthening the work the state is doing. The important things to emphasize are the following: The boys must be self-supporting. The buildings and equipment and tools that exist in industry must be used. The boys must be kept for a large proportion of their time at productive jobs. The employer will have to pay him for that one day a week that he is being educated in the continuation or trade school classes. These are not

easy conditions, but the possibility exists of gradually building up an apprentice system and of supplying the trades their life blood. Address by Howell Cheney. *Connecticut Industry*, Dec., 1924, p. 21:3½.

The Foreman Goes to School

The problem of the plant that is handicapped by lack of instructors and properly trained executives to carry on the work. Two methods are at the disposal of such plants: Correspondence courses, and foreman training conducted by a local educator who organizes groups of foremen from among the local industries. In one city, Grand Rapids, foreman training is carried out directly by a public vocational school. This grew out of the organized effort of Grand Rapids industries. By J. K. Novins. *The Dodge Idea*, Dec., 1924, p. 14:2.

658.45 Benefit Systems and Incentives: *Group Insurance, Pensions, Profit Sharing, Wage Plans, Suggestions, Vacations*

Sharing the Profits, Responsibilities Too

Among several plans described in this article is that of the Dutchess Bleachery, which departs from both the typical employer conception of profit sharing and the traditional trade union idea of the proper scope for the employee's activities. Profits are shared equally between stockholders and employees after allowing 6 per cent as the "wage" of capital and setting aside 15 per cent of the net profits for each of two

sinking funds, one to guarantee the "wage" of the stockholder, the other to guarantee to the workers half pay when unemployed because of lack of work or illness. Unemployment insurance thus takes precedence over profit distribution to workers.

There is a Board of Operatives, a Board of Management and the Board of Directors. The authority of the latter is final. In practice, so far as mill management is concerned, it is largely a rubber stamp

for the Board of Management, as one of the officers said. The proprietors of the Dutchess Bleachery installed their novel scheme in 1918. By Harold Callender. *The New York Times*, Dec. 28, 1924.

Insurance Provided for Steady Time Employees

Group Life Insurance without physical examination has been arranged covering all contributors to the Armour Pension Fund. Each contributor may acquire insurance equal to his or her salary at sixty cents per month per thousand dollars of insurance carried, and this can be carried by pensioners after retirement on the same basis. Also, employees leaving the service of the company at any time will be entitled to convert the amount of group insurance carried into a standard form life insurance policy, without physical examination. The contract was placed with the Metropolitan Life Insurance Company. *The Armour Oval*, Jan. 15, 1925, p. 4.

Revised Pension Plan

A report by skilled actuaries revealed that under the former plan of Armour and Company, an employee retiring on pension after twenty years' service (or after fifteen years through disability), would receive back in approximately one and one-half years, his entire contribution to the Fund, whereas experience has shown that the average pensioner's life is a great deal longer than this, without taking into consideration the pensions for surviving widows and dependents. At this rate, in twenty years the amount required for pensions would be 2,500,000 annually in excess of the amounts available from contributions and earnings of the Fund from investments. Thereafter the demands on the Fund would increase in the same ratio, and these amounts being necessary for the payment of pensions, would not permit the building up of reserves required for unforeseen contingencies. The Armour Pension Fund was drafted in 1911 and before there was much in the way of precedent for

a guide. The Fund has always been administered strictly according to rules, but the Board of Trustees feels that continued soundness demands an alteration of the provisions. The new plan provides for retirement on pensions for men at the age of sixty-five with thirty years' service, or at the age of sixty with forty years' service. Women may retire on pension at the age of fifty-five with twenty-five years' service, or at fifty with thirty years' service. Both men and women may retire after twenty-five years of service on account of disability. The amount of the pension in each instance to be 1 per cent for each year of service, based on the average salary for the last twenty years, with a maximum of \$6,000 per year used for the computation of contributions and pensions. The pensions for widows and children to be one-half of the amounts payable to employee pensioners. *The Armour Oval*, Jan. 15, 1925, p. 4:½.

The Credit Union—A Crusader Against Usury

The credit union, a natural and normal supplement to the present banking system, is one of many effective ways to promote thrift, and is about the only really effective method devised as yet for the elimination of usury as practiced on the wage worker, and is a means of so educating the people that they will understand our economic system. By Edward A. Filene. *American Bankers' Association Journal*, Jan., 1925, p. 439:1.

Man Who Never "Watched the Clock" Gives Six Employees His \$7,000,000 Business

Almerindo Portfolio, who came to this country from Italy when he was a boy and amassed a fortune in the cloak and suit industry, retired yesterday at the age of 47 and turned his business over to six of his employees as a gift. About four months ago Mr. Portfolio called into his office six of his employees who had been most active in building up the business,

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saying, "Boys, I am going to retire and rest, and what's more I am going to give the business over to you." These six have now formed a new organization with Pasquale Portfolio as president and treasurer.

At the age of 15, Portfolio became an errand boy with the Mercantile Cloak Company. He was known as the boy who did not watch the clock. At the age of 20 he was general manager at \$55 a week. *The New York Times*, Jan. 12, 1925.

Stock Ownership Plan of the New York Central Railroad Company

Under this plan the New York Central is offering 35,000 shares at a price of \$110 a share. An employee has the right to subscribe for a share of stock for each \$200 of his annual rate of pay, but in no event for more than twenty shares. To the price of \$110 a share is added 4 per cent interest for unpaid balances, so that the gross price really figures out at \$114.37. But during the period that an employee is paying for a share of stock he will be credited with seven quarterly dividends of \$1.75 each, or \$12.25 altogether. Therefore the actual cash outlay made by an employee for each share of stock will be \$102.12. This is for stock that sold in the open market as high as 124½ and is an arrangement which will doubtless be enthusiastically adopted by New York Central employees. By Paul Willard Garrett. *The New York Evening Post*, Jan. 10, 1925.

Group Insurance Is Help Insurance

There are three schedules of group insurance which have met with favor—First, a uniform amount such as \$1,000 for all or certain classes of employees. Second, a percentage of each employee's salary within certain limits. Third, a service plan where the amount of insurance is based upon the length of service of each employee. A typical service formula is as follows: Three months and less than one year—\$500. One year and less than two years—\$600. Increasing \$100 annually until

a maximum of \$1,000 or \$1,500 is reached.

Group insurance is a force in industry that is gathering momentum of increasing numbers daily and insures a better industrial relation that is alike profitable to management, to men and to the community in which they dwell. By W. C. Riddle. *Brick and Clay Record*, Jan. 6, 1925, p. 37:3.

Labor Enters Insurance Field

The Union Cooperative Insurance Association has been organized at Washington by the International Brotherhood of Electrical Workers. The association has a capital of \$100,000 and surplus of \$100,000 paid up in cash. Applications for \$1,600,000 worth of insurance were received the first week. Its purpose is to serve the members of organized labor, their wives and families and friends and all other eligible persons seeking sound life insurance protection. Industrial Relations: *Bloomfield's Labor Digest*, Jan. 10, 1925.

Sickness Benefit Canceled

The poor showing by the American Woolen Company in its earnings during the year now closing is probably the reason for the cancellation of the sickness and accident benefit on Thursday, Jan. 1. By the benefit plan, established nearly three years ago, an employee when kept from his work by illness or accident, received a percentage of his regular weekly wage. The company disbursed many thousands of dollars in this way.

The following notice has been posted in all mills of the company:

"To our employees we announce that at noon, Jan. 1, 1925, the plan of sickness and non-work accident benefit which has been in effect in all our mills and the mills affiliated with this company will be discontinued. This will not affect the payment of benefits to employees whose cases have already been approved. This notice does not in any way affect the life insurance plans heretofore inaugurated by the company." *The New York Times*, Dec. 31, 1924.

658.46 Labor Relations: Collective Bargaining, Arbitration, Employee Representation

Company Unions and Labor Unions: a Functional View

Labor unions have the economic justification and the function in the industrial structure of helping to equalize bargaining power, of stabilizing labor costs and standards throughout competitive areas, of supplying competent professional advocates when controversies arise, and of removing the power to call strikes from the shop itself.

Shop committees serve an indispensable, if restricted, purpose. They have shown up certain conspicuous weaknesses and limitations in the form of organized structure usually sponsored by the unions. They have brought into proper perspective the organized considerations of internal shop problems.

Company unions and labor unions are not to be set over against each other as antithetical forms of joint relations between management and men. They are essentially complementary, and the fact that most employers and trade union officials do not recognize this need not be a matter for alarm, as it will be adjusted by a system of educational process. By Ordway Tead. *American Review*, Jan.-Feb., 1925, p. 29:7.

An Employee Representation Plan

The Sperry Employees Industrial Association is composed of the Council and the

Cabinet. The Council is made up of representatives elected on the basis of one for each group of 25 employees distributed geographically and in such a way as to fully be representative of all trades or occupations in the office or factory. The Cabinet forms the direct point of contact with the management. It is composed of four representatives appointed by the management and four employee representatives elected from the council. The Association has its various committees for handling the different employees' activities and also has a so-called Grievance Committee, which has been a means of giving the members an education in fundamental economics. By M. R. Lott. *Leighton's Magazine*, Jan., 1925, p. 11:1½.

Labor's Growing Share in Management—Is it Effective?

P. W. Litchfield, the vice-president and factory manager of the Goodyear Tire and Rubber Company, from a background of five years' experience, describes how industrial representation builds men. Fletcher H. Montgomery, president of the Knox Hat Company, says that it educates managers, too. Brief comments of other leading executives who have had experience with shop councils and other forms of employee representation are given. *Factory*, Jan., 1925, p. 29:13.

658.51 Planning: Job Analysis, Standardization, Routing

Planning and Production Control

A comprehensive picture of planning methods found effective in Boston's most efficient factories. This data, gathered by the Boston Chamber of Commerce, includes a detailed definition of master planning, a determination of the Method of Control, and its factors, an analysis of production control and a statement of its value in industrial management. *Report of the Committee on Industrial Planning*, Dec., 1924, 16 pages.

Production Control

This description of the Taylor system in the management of the Holt Manufacturing Company was first presented at the Prague International Management Congress, June, 1924, and was elaborated in a series appearing in *Management and Administration*, June to November, 1924. The treatise includes all phases of controlled production, mainly from a mechanical standpoint. By George D. Babcock. *Taylor Society Bulletin*, Dec., 1924, p. 260:11.

658.54 Rate Setting: Operation Study Time Study, Motion Study

The Study of Fatigue

Industrial fatigue is hard to measure. The typical laboratory tests fail to record a worker's real efficiency and recourse must be had to an analysis of curves of actual output, obtained under varying but carefully observed conditions. Thus, experiments on the introduction of twenty-minute rest pauses in a boot factory showed an average increased output of 44 per cent. These and other recent investigations of the Industrial Fatigue Research Board, as well as of the National Institute of Industrial Psychology, are summarized. By Dr. Charles S. Myers. *The Journal of Personnel Research*, Jan., 1925, p. 323:14.

Selecting the Worker for Time Study Observation

In every group of employees there are a few who work willingly and cheerfully regardless of whether they are paid day rate, piece rate or bonus, and the time study man, when confronted by a group of strange workmen, can find out from the foreman who the best pinch-hitter is. It is best to select a worker who has reasoning powers, as he will be interested in the results of the study, and will color the opinions of those less blessed with gray matter. The subject should also be one who knows the time study engineer to be fair in his dealings with employees. Reputation is the time study engineer's greatest asset or liability. By L. A. Sylvester. *Industrial Management*, Jan., 1925, p. 54:1.

Achievement of Motion Psychology

Some actual results in the field of industrial psychology during the past twenty years are:

1. The discovery of units in which to record the elements of behavior.
2. The invention of methods and devices for recording behavior in indisputable form.
3. The recognition of the wisdom of selecting the best man obtainable, in order to obtain behavior norms.
4. Errorless records of motions in three

dimensions showing path, acceleration, retardation, times, relative times, distance, relative distance, speed, relative speed, direction and the relativity of simultaneity of the therbligs or elements of a cycle of motions.

5. The determination of The One Best Way to Do Work before it ever has been demonstrated, by synthesis of the best obtainable therbligs.

6. The recognition that all workers have three motion methods, (a) when in a hurry, (b) when working leisurely, (c) when teaching a beginner.

7. Records showing that fast motions and slow motions cannot be made in the same path.

8. Records of automaticity and its effects upon skill.

9. Records of effects upon automaticity and the resulting loss in output and increased fatigue of slight changes in one therblig or element of a cycle of motions.

10. Indisputable records of habit and of habit interference.

11. Records of decision, indecision, hesitation and fumbling, and the effects upon resulting motions.

12. The effect upon habit, motions and the transfer of skill, of tools designed and built to the shape of wear in use.

13. Records showing the correlation of calendar age with mental age. By Frank B. and Lillian M. Gilbreth. *Bulletin of Taylor Society*, Dec., 1924, p. 259:2.

The Principles and Practice of Time Study

The history of the introduction of time study to industry, and the resulting phenomenal improvement in production. Prior to installing a time study system, it is necessary to sell it to the foremen and superintendents. If this is properly done, they will be keenly enthusiastic about the new method of rate setting. Six fundamental principles in standardizing conditions necessary to best results are: 1. Proper tools and equipment for the job; 2. adjusting the machines to the proper

feeds and speeds; 3. proper location of the work; 4. method of handling; 5. eliminating all unnecessary movements; 6. simplifying conditions relative to the job. The worker should also have the reasons for time study explained to him. Clerical work in connection with a time study department entails the upkeep and daily post-

ting of all piece work records on cards prepared for this purpose. An instruction card is given to the foreman giving complete information as to the machine the operation was timed on, the feed and speed used and the steps on the cone pulley the belt was on at time of study. By Howard W. Dickson. *Industrial Management*, Jan., 1925, p. 39:6.

658.56 Shop Organization: *Methods, Salvage, Waste, Job Assignments*

What the Workers' Waste Means

Workers are always willing to co-operate with the management when they are shown that: 1. Every dollar of waste—every piece of usable material discarded, every mistake due to carelessness, every job improperly done because the worker did not make sure that he understood instructions, every five minutes of time frittered away, every machine unnecessarily idle for even a little while—takes just that much away from the firm's potential earnings, thus making a continuance of the present level of wages and steady employment that much more uncertain, and 2, every constructive idea withheld by employees works toward the same end.

Specific instances of waste with possible methods of savings in various industries are cited. By Seth Seiders. *American Industries*, Jan., 1925, p. 22:2.

658.57 Research and Experiment

A Study of Trade-Name Infringements

A group experiment was conducted in order to determine the amount of confusion between an original trade name and its alleged imitation, and its relation to the confusion between other pairs of names. "Normal confusion" for duplicates and new names was found to average 9 per cent of the observers. The degree of confusion for pairs of imitations which had been litigated, however, was found to be considerably greater than normal, and to vary between 22 and 30 per cent of the observers. The technique developed in this case would seem rather generally applicable to problems of trade names or trade-mark in-

fringement, and might profitably be considered in many court cases. By Harold E. Burt. Convention address before the American Psychological Association, Dec., 1924.

The Institute of Psychology

The Psychological Institute of Yale University has been established to promote co-ordinated research in psychobiology, which shall converge on problems of human behavior. It will be composed of outstanding investigators who will conduct independent research and at the same time will supplement one another's resources. Such a co-ordinated program should be productive in the training of scholarly personnel, as well as in the discovery of scientific facts and principles. By James R. Angell. Convention address before the American Psychological Association, Dec., 1924.

The Clinical Viewpoint in Vocational Selection

In the application of psychology to industry and in vocational guidance, the quantitative viewpoint has increasingly tended to dominate the qualitative or clinical viewpoint. The use of automatic recording devices in Germany is an exaggeration of this general trend, and indicates the necessity of an immediate and serious consideration of the place of the psychologist in industry, and of the value of selection by trained examiners based on a qualitative analysis of performances as well as upon a quantitative score. By Morris S. Viteles. Convention address before the American Psychological Association, Dec., 1924.

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The Need of an Applied Psychology of Organization

Psychology should aid industry by so organizing groups of managers and men that the wills of the individuals concerned will work together in harmony and without undue friction. The feeling that work in industry must necessarily be stupid is not true. The problem is to make each day's work of gripping interest, and in order to

do this we must have some knowledge of the intellectual, economic, and non-economic forces and resistances in working groups of men and women. There are innumerable such problems in industry, and the tool most needed for their solution is a well developed, hard headed, brass tacks psychology. By Henry S. Dennison. Convention address before the American Psychological Association, Dec., 1924.

658.8 SALES MANAGEMENT

658.81 Organization of Department: *Employment, Analysis, Salaries*

Quantitative Analysis Plan as Applied to Marketing

Laboratory methods in ordinary affairs of business are imperative in the present stage of merchandising, economists declare, and so-called highbrow knowledge most certainly has its place in selling as well as in manufacturing. The old political economy has gone, it has no place in the modern practical business scheme. The advance must come by painstaking research, spe-

cial studies and the development of better methods of statistical analysis. The keynote of the new economics is statistical measurement of everyday business facts, such as production, inventories, orders and prices expressed in bushels, pounds, ton-miles and dollars. It measures the effect of advertising, the relation of prices to production and matters involved in the regulation of public utilities. *Printers' Ink*, Jan. 8, 1925, p. 85:2½.

658.82 Sales Promotion: *Letters, House Organs, Advertising*

An Educational or an Institutional Campaign—Which?

Educational advertising educates the ignorant without causing the one who thus becomes educated to admit his ignorance. The salesman can carry out this same policy in his sales, for the selling should be closely connected with the advertising, as one is the logical outcome of the other, if it is a success. The point is brought out that an advertising campaign in furniture, for instance, that discusses the qualities of 'the different periods and their distinguishing characteristics, and that are tied up with an historical slant and coupled with illustrations of modern adaptations is of more value than a campaign that discusses the store, purchasing power, delivery and service. By R. W. Sexton. *Printers' Ink Monthly*, Jan., 1925, p. 45:1¾.

The Fourth Great Period of Selling

Following, rather than preceding sales, advertising has had to assist in the sale of merchandise through three distinct and separate merchandising periods. These periods may be characterized as "Selling Merchandise," "Service," and "Selling Sales." The changes to be expected in 1925 are then summed up. By Harry R. Wellman. *Sales Management*, Jan. 10, 1925, p. 13:3¾.

Paving the Way for the Salesman

Advertising is really designed to prepare the way for the salesman. When it produces a condition of consumer acceptance for an article or a line, it may be said to have functioned ideally from the standpoint of envoy extraordinary and minister plenipotentiary for the salesman. It has created a sympathetic interest, a willingness

to be sold, and even a demand. With this as a foundation, the salesman works under conditions directly the opposite of those encountered by the man who goes out on the so-called "cold turkey" canvass. There follows a brief description of methods used by such concerns as E. R. Squibb & Sons, Narrow Fabric Company, Life Savers, Inc., Lever Brothers, and Vick Chemical Company. By G. A. Nichols. *Printers' Ink*, Dec. 25, 1924, p. 126:5.

When the Salesman Writes His Prospects

The plan of having some one at the home office clip certain news items of interest from newspapers in towns where the salesmen's prospects are located has been found helpful in adding real value to the salesman's letters. It eliminates stilted phrases and outworn words, and makes the letter friendly and conversational in tone.

In a certain chemical company a prize of \$50 was offered each month to the salesman who wrote a letter which contained a real idea or answered a sales objection in the most logical and sensible way. The prize winning letters later became part of a letter manual. By Ralph Crothers. *Printers' Ink*, Jan. 1, 1925, p. 123:2.

How We Sold Simplification to Our Retailers

What will happen to sales? that is the test question that must be answered before any program of simplification can be adopted. The president of the Knox Hat Company has found the answer by selling the advantages of simplification to retail dealers. Those who have co-operated to the utmost in reducing the varieties of hats that they carry have in practice benefited. Advertising should increase the sales of every agent. Unless certain hats can be featured on which most of the business is done, individual hats cannot be stressed in the advertising. The money spent would be dissipated by being spread too thin over too many hats. Specific advertising of a definite product is always more effective than broad general statements. Sim-

plification has these advantages: 1. It makes possible operation on a smaller inventory. 2. Gives a more rapid turnover. 3. Insures fewer left-overs. 4. Makes selling quicker. 5. Increases sales. 6. And so it makes profits greater. By Fletcher H. Montgomery. *System*, Jan., 1925, p. 29:4.

How to Tell Whether a New Salesman Will Fail or Succeed

The whole point about the system of selecting salesmen at the Phoenix Mutual Life Insurance Company is that the application form which a new man fills out is so devised that it gives the company definite information on eleven vital questions. Many things are taken into consideration, such as a man's ability to inspire confidence in a client; whether he takes the lead in conversations or is passive; his motive for going into the work; his tendency to become discouraged; his native intelligence. These points and many others have been tabulated and printed and have been incorporated in the agency manager's manual. By Winslow Russell. *Printers' Ink Monthly*, Jan., 1925, p. 31:3.

Sales Promotion by the Calendar

Fifty member stores of the Sales Promotion Division of the National Retail Dry Goods Association are co-operating in a new departure. They have prepared a "sales promotion calendar," representing what progressive merchants throughout the country are doing to stimulate business. The year has been divided into six sections, representing six distinct selling seasons. This schedule will permit a sixty to ninety-day review of the general selling plans for each period, allowing at least thirty days for the development of specific merchandising and advertising plans. In recognizing the value of a sales promotion calendar Edward A. Filene says: "Time is the essence of merchandising. To buy properly, to be of the greatest service to customers it is obviously necessary to have goods when they are wanted and in the proper quantities to supply that demand. There-

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fore every buyer has consciously or unconsciously, what I call buying and selling

calendars." *The New York Times*, Jan. 18, 1925.

658.86 Salesmen: Selection, Training, Compensation

Salesmen Who Are Big-Man Shy

It was popularly understood by the entire selling organization of a certain wholesale grocery concern, that the owner of a string of Southern chain stores put every new salesman calling upon him through a "third degree" of his own special manufacture. This was his method: When the new salesman sent in his card, the owner would have five or six members of the firm collect in his office, who would at once enter upon some heated discussion of policy. After a few moments of this the salesman would suddenly be asked for his opinion, and the manner of his reaction would determine his future status with the company. This brings out the importance of being temperamentally fitted to step into emergencies and to mix with executives, regardless of how high their station may be. More business is to be had in the long run from contact with high executives than with the smaller ones. By W. H. Heath. *Printers' Ink*, Jan. 15, 1925, p. 145:3½.

When the Salesman Blames His Territory

The question as to how often a change in territories is advisable can never be answered dogmatically. Choosing the right man to fit the territory involves a careful study of human qualities, buying tendencies, and the peculiarities of the territory to be covered. The cane and spats which will hurt a man in Kansas may be an advantage in the District of Columbia. When a man comes to the mental saturation point so far as his territory is concerned, when he thinks there is nothing he does not know about it, and refuses to strive for new sales outlets then he should be at once withdrawn from his territory. By Ralph Crothers. *Printers' Ink Monthly*, Jan., 1925, p. 39:2¾.

Pay Salesmen as Collectors

Many firms have resorted to paying their salesmen a commission on sales, but this policy has often resulted in severe credit losses, because the salesman usually tries to place the whole responsibility on the credit department. The remedy for this is the plan for the payment of salesmen through commissions on collections. This is so elastic that it can be tried out on one or more salesmen, and should therefore commend itself to those executives who are suffering from excessive selling costs or the many evils that ensue when salesmen are paid commission on sales. By A. A. Grainger. *Credit Monthly*, Jan., 1925, p. 34:1.

How to Compensate Salesmen in the Industrial Field

The plans and experiences of the Barber-Greene Company and others in the industrial field. The Barber-Greene Company, which is a large manufacturer of material handling machinery, distributes its product through factory salesmen who work on a salary and commission basis. The Wisconsin Electric Company, inaugurated a contest plan a few months ago, giving premiums and cash bonuses for unusual efforts. Its salesmen are on a straight salary basis because the company requires experienced men, and also because missionary work must be done which is often unproductive for a long period of time.

The good and evil points of the various methods of compensation are thus summed up: 1. The straight commission plan secures the hardest work from the salesmen, but future possibilities are neglected for present sales. 2. The straight salary plan tends to make the salesman a mere order taker. 3. The part salary and part com-

mission plan also tends to stimulate present business to the detriment of future business. 4. The bonus plan extends over such a long period of time that the stimulating effect is lost. 5. Straight salary to salesmen and commission to managers works out satisfactorily in the majority of cases. 6. The partial commission plan is practical under certain conditions, if periodical adjustment is made. 7. The point system has merit but is very complicated. By N. C. Tompkins. *Printers' Ink*, Jan. 1, 1925, p. 140:4.

What Sort of "Intelligence" Does a Salesman Need?

The interesting feature of many tests is that while the average sales manager picks his applicants by their showing of verbal intelligence, numerous tests performed upon experienced salesmen of unquestioned ability have repeatedly shown them lacking in it. Some of the able men examined had great verbal intelligence, but so many others were deficient in it that the psychologists concluded this trait was not vital to successful selling. It is suggested that more attention be paid to the applicant's social intelligence—to his leadership abilities, his past record as winner and holder of friends. We are all familiar with the "brainy" man who is so sarcastic and so intolerant of the shortcomings of others that no one likes him. Such a person could never sell. Yet if the investigation goes no further than verbal intelligence, he might be hired. In fact, there seems to be no psychological test designed to reveal the qualities necessary for selling. By H. S. McCauley. *Sales Management*, Jan. 10, 1925, p. 19:2.

Bringing the College Man Into the Sales Force

A certain sales manager impresses on the young college man that the company expects to make an investment in him and that it knows it is going to take several years to make him a profitable member of the organization, but that if he will take the same interest in learning the business

as the business will in teaching him, profitable results will follow. Nine college men out of ten are bound to go through a tremendous mental upset during their first year or two in business. These are the years when they are most likely to turn into drifters, and the wise sales manager will make it his business to keep them mentally adjusted to their jobs and their futures. This being done, it is possible to cash in splendidly on the college man brought into business. By V. V. Lawless. *Advertising and Selling Fortnightly*, Dec. 31, 1924, p. 19:2.

658.89 Salesmanship

Wanted—a Clearing House of Ideas for Dealers

A discussion of salesmen's opportunities to advance the good work being accomplished by trade papers. There are a great many things a salesman can do legitimately outside of actual selling. One of his greatest opportunities is to act as a kind of liaison officer not only between his company and its dealers, but also between dealers within his territory. The salesman who realizes that by helping dealers sell more whether of his company's product or of other products, he puts the dealer in a position to buy more of his line, has the broad gauge, really productive point of view. One of his best methods of helping dealers increase their sales is to act as a medium for the exchange of good selling ideas. By C. B. Larrabee. *Printers' Ink*, Jan. 15, 1925, p. 93:2½.

To Reduce the Cost of Selling

Five factors affect the sum; but the greatest of these is sales management: 1. Production. 2. Distribution. 3. Sales Management. 4. Salesmanship. 5. The buyer.

Production helps to boost the cost when it fails to standardize, or when it neglects to save by eliminating dead-wood products. Distribution contributes when it lacks the courage to decide between direct and indirect selling. Sales management

adds its bit when it fails to train its salesmen properly. Salesmanship contributes only when it's poor salesmanship. And the buyer contributes when, looking upon buying as a game of wits, he makes selling difficult and slow.

Until the cost of selling is brought down to a point where it is commensurate with the service involved, instead of being based as it is now on the work involved, the economics of the United States is out of joint. By Ralph Barstow. *Business*, Jan., 1925, p. 22:3½.

Purchasing Agent Wants Facts—and Nothing Else

A very successful purchasing agent always personally interviews the "first call" salesman. Later interviews depend on that salesman. The salesman who depends on personal pull to get the business is not a salesman. He is a politician, and does not usually last long. The purchasing agent wants a straightforward statement of facts and wants to look into an eye that is clear. We are dealing less in personalities and more in facts in these swift business turn-over days. The salesman is selling merchandise, ideas, leads, profits—not personality. If he has it, so much the better. But, in a word, the facts must decide. By W. B. Covell. *Belting, Transmission, Tools and Supplies*, Dec., 1924, p. 80:1.

"We Are Building for Future Sales"

A children's sale has been the means by which sales of the entire business of the M. L. Parker Company have been increased. The secretary and treasurer tells how this has been accomplished. The youngsters of the town are nearly all pulling for this store. They are loyal partisans. If they are treated well throughout the years, and the business is managed effectively, they will continue to be good friends to the store. By A. E. Simmons. *System*, Jan., 1925, p. 33:2.

Measuring Sales Effort Results

An analysis which shows the fallacy of "average costs" has a work sheet which provides for the 49 states, taken as units of comparison. Factors which contribute

to this analysis will vary with the product. In some cases population is important, in others, racial strains should be considered. After the ranking of the various states has been determined, an estimate of the sales effort is made. At this point much will depend upon the character of records available from sales and advertising departments. The ten or fifteen states in per cent of unit sales to population are then compared with the states in which the suspected conditions are strongest, and conclusions may be drawn which will enable sales and advertising executives to cut costs, and the weak spots in the sales effort will be revealed. By W. A. McDermid. *Management and Administration*, Jan., 1925, p. 33:4½.

Merchandising the Lost Hope

Reasons are given why the old standards should have their proper place. It is developed that the horse, steel pens, the washboard and hand-power washer, carpets, carpet sweepers, the oil lamp and oil stove are not being cast aside as many people mistakenly suppose, but are being carried along and developed with the new. Buying habits handed down for generations cannot be changed overnight, no matter what may be the relative merits of the new as against the old, and these habits can be catered to profitably. By G. A. Nichols. *Printers' Ink*, Jan. 1, 1925, p. 113:6.

What Is the Three-Way Quota?

A wide-awake salesman realizes that eight hours' work will not always produce the same amount of business, but he knows that it will produce a good average over a period of time; therefore, he bases his quota on what eight hours will average him, both in demonstrations and sales. For example, if he feels that he can sell \$200 a week, with his sales amounting to \$2 per demonstration he will have to make twenty demonstrations a day in order to reach his daily quota of \$40 in orders, so he gives himself a quota of eight hours, twenty demonstrations and \$40 in sales. By W. S. Moffat. *The Fuller Bristler*, Jan., 1925, p. 3:1½.

Survey of Books for Executives

Management Through Accounts. By James H. Bliss. Ronald. N. Y., 1924. 396 pages. \$6.00.

Mr. Bliss is to be congratulated for the splendid volume he has written and titled "Management Through Accounts." We believe, however, he might better have given the book a title such as "Accounting Aids for Management" or "Analyzing and Presenting Accounts to Aid Management."

The volume is a regular course in itself and will be of considerable assistance to accountants in compiling and presenting statements to their managements to assist them in controlling and operating the business.

The work is full of good points and it would be hard to find an accountant who could not derive considerable assistance from the study of it, although we do believe that managers, as a whole, would find the volume rather tedious to plow through and we are inclined to consider the work itself as an aid to accountants in assisting management; bearing in mind, of course, that to successfully manage a concern of any size the chief executive should have at least a working knowledge of accounting, and, in fact, we believe that without such knowledge the manager of the future will be severely handicapped.

Management, meaning not only the general manager, but also the sales and factory and other chief executives, are coming more and more to the realization that it is folly to operate without the necessary accounting, therefore the accountant must be ready and must be able to present his figures in the best and most concise way to help the management. The reading and studying of Mr. Bliss' book puts into the hand of the person who has to present the figures a tool of value, measurable only to the extent of the results which are obtained thereby, and which should be large.

Reading of this volume will awaken many accountants to the fact that there has been something lacking in their presentations, and, on the other hand, it will confirm to many that they have been working along right lines.

While we believe the plan of figuring some of the ratios which Mr. Bliss presents are necessary only occasionally, we find the volume full of helpful and terse statements, such as: Page 18: "The methods of financing a business may yield substantial advantages or disadvantages to its stockholders." Page 33: "The relationships existing in any industry at any time are very largely the result of competitive conditions." Page 35: "Demand is reflected in rising prices and they in turn stimulate production."

The numerous illustrations are wonderfully clear and comprehensive.

The volume is full of fundamental principles and rules for observance in compiling financial statistics, etc., such as: Page 84: "Outlining bases upon which to compute turnovers." Page 128: "All detailed or underlying statistics should be tied up with the financial reports." Page 154: "A complete analysis of the affairs of the business is possible only when both the balance sheet and the income statement are at hand." Page 155: "Physical units are the sound basis for figuring trends in volume and turnovers on fixed property investments."

For those who have the fortune to read this volume we would draw attention to the following chapters which we consider of immeasurable value:

Chapter III. "The Fundamental Relationships in Business."

Chapter IX. "Methods of Analyzing Financial Reports."

Chapter X. "Principles to be Observed in Preparing Financial Statements."

Chapter XL. "Consolidated Income Statements."

Chapter LIII. "Planning Accounting Classifications and Systems."

W. F. WOODBURY, *Comptroller,
The Wahl Company.*

Effective Collection Letters. By J. H. Tregoe and John Whyte. Prentice Hall. New York, 1924. 505 pages. \$4.00.

Undoubtedly one of the most difficult jobs of the modern credit or collection manager is that of writing an effective letter so far as the collection of an account goes and at the same time not offend the debtor. The danger is that either the letter may be too polite and diplomatic and consequently not collect the money, or that the letter will be too crude, collect the money, and so offend the customer that future business will be given to a competitor. The combination of an account collected and future good will preserved is a difficult job.

Messrs. Tregoe and Whyte have brought together in their book a very helpful collection of letters filled with many suggestions to the man responsible for collections in the wholesale or retail field. The letters themselves are preceded by an introduction treating constructively the principles upon which good letter writing, especially credit letter writing, is based. Such topics as the psychology of the letter, the basis for appeal, the utilization of humor, the appropriate economic and psychological time to make the appeal, and relationship between good collecting and salesmanship are treated with an insight and comprehension of the problem that only one with the experience of the authors could command.

The danger to be avoided in the use of a book of this nature is the adoption of the specimens presented and the use of them in one's own work rather than to consider them as illustrative of general principles of letter writing that are to be applied to one's problem of letter composition. That is, the illustrations are most helpful if one

analyzes them, looks beyond them and seizes the fundamentals of the psychology and rhetoric expressed. One is, moreover, aided in using the book in this way by the very helpful and pointed comments made on each letter by the authors.

It is, however, a book that should be on the bookshelf of every credit manager as a reference volume and is one also that so far as the introduction is concerned should be read by each executive in a large credit department.

WALTER M. STONE, *Office Manager,
Jordan Marsh Company.*

The Manager's Manual. The Life Insurance Sales Research Bureau. Hartford, 1924. 227 pages.

Progressive sales managers are ever in search of new and improved methods of management. To have such methods which experience has proved successful collected from numerous sources and described in detail by a competent agency saves valuable time and trouble. It is such an important piece of work that the Life Insurance Sales Research Bureau has done for life insurance sales managers in the two parts of its *Manager's Manual*, "Your Future Agents" and "Your New Man." The Bureau has carefully gathered together the devices used in the selection and training of life insurance salesmen by managers of some sixty agencies, large and small, urban and rural.

"Your Future Agents" deals with the importance of careful selection and describes at great length, too great in some instances, the methods used with good results, telling how and where to find prospective agents, how to select them and how to describe the job of selling life insurance to them. The work is of particular value because little has been written on the whole subject of selection, except perhaps by individual companies for their own use. The Manual organizes the field and analyzes the whole process of selection step by step in the natural order of events.

The work covered by Part II, "Your

New Man," is best described by the chapter headings: The Importance and Significance of Training, Types of Training, Pre-Employment Training, Initiating New Agents, Field Training and Particular Points in Field Training. One fault which might be found and which is common to all collections of methods is that insufficient emphasis is put on the principles of successful agency management by which sales executives are to be guided. More frequent summaries of the chapters such as Chapter V, Some Guides in Recruiting Agents or the six points of importance in newspaper advertising summarized on page 34 ("Your Future Agents") would help to overcome this difficulty to some extent. However, effective use of the material presented may be made by managers establishing new agencies and by those of longer experience wishing to recast their methods.

The practices outlined are, of course, applied to the selection and training of life insurance agents, but managers of salesmen in other lines will find many of them applicable to their own work of organizing and managing a field force. For example, the question of salesmen's reports is a problem common to all in sales work. The section on Report Keeping covers this subject fully.

Chapter X, Field Training, is handled with good effect. The emphasis on "showing how" rather than "telling how" with all the advantages of a new man working with an experienced one in the beginning of his career, is well done and exemplifies the progress made by modern sales management over the old where an agent was merely told what to do and then expected to do it successfully. The sections on Daily Schedule, Training an Agent at a Distance from Agency Office and A Suggested Five-Day Training Program in Chapter XI, Particular Points in Field Training, are valuable contributions and might well be incorporated in the preceding chapter.

The bibliography given in "Your New

Man" is comprehensive and includes books helpful to manager and salesman alike.

If, as S. Roland Hall says in his "Handbook of Sales Management," modern salesmanagement is "a means of finding the most suitable men or women for the sales work, a scientific method of training and directing the efforts of these persons, so that every member of the organization may profit by the sum total of knowledge and experience," then the Life Insurance Sales Research Bureau has made a big contribution to modern sales management by organizing knowledge and describing experience relating to the successful selection and handling of the new salesman. It is only when sales managers are willing to co-operate for the common good by pooling their experiences and when a competent agency is found, such as the Bureau of Life Insurance Sales Research, to present the results of their co-operative effort, that a science of sales management can ever be evolved. The Manager's Manual is the product of such effort and is a beginning in the right direction.

JOHN A. STEVENSON, 2d Vice-Pres.,
Equitable Life Assurance Society.

Public Employment Offices: Their Purpose, Structures and Methods.
By Shelby M. Harrison and Associates.
Russell Sage Foundation. N. Y., 1924.
636 pages. \$3.50.

Free public employment offices, organized under laws of their national government and supported wholly or in part by funds from the national treasury, are found in Canada, Great Britain, France, Italy, Switzerland and other industrially important countries. The United States has a federal employment office system which is now a shadow of its former self. Organized during the war period, the U. S. Employment Service had at the height of its expansion 854 offices, a budget exceeding \$5,500,000; 4,079 salaried workers and an additional personnel of 3,075 "dollar-a-year" appointees. This once elaborate

structure has been allowed to waste away, not without many protests. Organized labor, the U. S. Chamber of Commerce, prominent individual employers, social workers and others have frequently plead for its revival. Politically, a national public employment system cannot be assumed to be a dead issue. Even without substantial pressure at home, the precedent and performance of such systems in foreign countries would alone keep the idea current.

The Russell Sage Foundation wisely foresaw this and while the U. S. Employment Service was still functioning in a fashion broad enough to warrant scientific study, members of the staff of its department of Surveys and Exhibits, under the leadership of Shelby M. Harrison, the director of the department, undertook a survey which resulted in the present volume.

The investigation took the staff into thirty-one States and Canada, and about seventy cities. The value of such a service to our national economic life is not easily over-stressed. Every page of the voluminous study bespeaks painstaking and almost always fruitful thought. The book in its present state is for the specialist and student highly valuable as such. Yet it contains so much of intimate concern to all parties to our industrial life that a briefer popularized summary seems warranted.

A short review can do little more than indicate the scope of the study and a few conclusions.

It is estimated that all the non-public agencies together would not serve more than 5,000,000 out of roughly 31,000,000 wage and salary earners in the United States. Fee-charging agencies will not operate in localities where the demand is too small to make their operation profitable, yet there is frequently need for employment service in such places. These agencies, though frequently performing excellent service, have been charged with serious abuses. The principal need for an employment system national in scope is to provide machinery for opening up op-

portunities to workers in other than their present place of residence and to give employers a wider range of choice in recruiting workers.

By enabling workers to shift from congested employment areas to places where the supply of labor is scantier, a nationwide system of federated employment offices would materially diminish the social suffering and waste of time of severe business depression.

The first section of the study rehearses the lack in existing means of bringing together employer and employee. The second discusses various methods of administering and supporting a national system of employment agencies, and advocates a combined federal, State and local control, to secure the advantages of centralized, unified operation, still preserving the virtues of local initiative and adaptation. The third part deals exhaustively with the technique of administering a local office, and the last considers the relationship of public employment agencies to occupational groups which offer specialized problems; viz., farm labor, migratory and casual workers, junior workers, the physically handicapped, immigrants, negroes and professional workers.

Of the four parts, that which deals with the necessity for a federal system is the least solidly constructed. Its arguments are cogent, but the supporting evidence is often insufficient to carry full conviction. In particular, one wishes a more comprehensive study had been made of the practices and possibilities of the various types of non-public employment agencies.

Section two, by Mary LaDame, which considers methods of administering a national system, is handled with remarkably impartial and penetrating appreciation of the complex factors to be discerned and weighed. It is a compelling display of scientific thinking and argumentative skill. It might profitably have been supplemented by a more detailed record of actual situations that have been confronted in nationally administered systems abroad.

Leslie E. Woodcock treats the technique of employment office management with very great care. His section is ripe with practical suggestions for all who are engaged in employment work. I do not know of such a well-rounded exposition of this subject in the literature of personnel work. Miss LaDame also contributes certain chapters to this section.

The field of specialized occupational groups which fell to the lot of Frederick I. King offers little direct evidence on public employment office work, at least in America. With this limitation, Mr. King's section is full of persuasively presented material and contains much to stimulate further thinking in a highly important field.

Mr. Harrison is to be congratulated on his direction of the study and on his able assistants.

EDWIN S. SMITH,
Secretary to A. L. Filene.

Textbook of Salesmanship. By Frederic A. Russell. McGraw-Hill. N. Y., 1924. 314 pages. \$3.

Mr. Russell, who is Professor of Business Organization and Operation at the University of Illinois, has written a very readable and complete book. Its title suggests exactly what it is: analytical in makeup and particularly rich in specific instances. Nearly every assertion made is supported by one or more good specific instances.

Beginning with Chapter II under the title of "Knowing the Proposition" the two points about knowledge of goods made are:

1. That knowledge takes the drudgery out of work. Adequate knowledge adds romance to physical goods that make of their selling and handling an interesting work.
2. It enables the salesmen to sell more goods.

A point made is that knowledge of goods should be treated as a department store treats its stock. Many facts thrown

in the mind must result in competent classification, if one is to use those facts efficiently. The classification of the facts is like the division of materials and merchandise in department stores. The classifications or departments should be well arranged. Every single item should be accessible. A customer ought not to have to buy the entire stock in order to purchase a single item. So with knowledge of goods. The fact is emphasized that it is not possible to know too much about a proposition, but it is possible to talk too much about it.

Buying motives are gone into to quite an extent. Every purchaser is prompted by some conscious motive. The fundamental motive is given as the Desire to Excel. This is then subdivided by the author into Money Gain, Pride, Imitation, Desire for Knowledge, Possession, Health, Caution, Pleasure and Comfort, Love of Others, Play.

On this subject of motives the author says: "The important thing is not to make a list which will be above criticism, but to point out the need for approaching a study of selling principles by way of the customer's mind rather than any other channel."

Mr. Russell makes use of the term "pre-approach." This part of the sale is meant to include all knowledge and information gained prior to seeing the prospective customer. The author says that the early stages of the actual interview, if and when given over to gaining additional knowledge of customer's needs prior to presenting a proposition would be grouped under "Pre-approach." Emphasis is laid upon the idea that the more important a proposed sale, the more important it is to obtain exhaustive information about the prospect. Considerable space is given to detailed suggestions of how to gather information. The "pre-approach" also includes a knowledge of how to size up the prospect. Reference is made to the Blackford System of Character Analysis by the observational method. The need of close observation of persons, actions, as well as

environment surrounding the prospect is emphasized. In these days when every author seems to feel justified in giving unfavorable opinions concerning the Blackford System, it is a bit refreshing to find an author of the standing of Frederic A. Russell who is open-minded in his opinion concerning the utility of the Blackford System.

An entire chapter is given over to ways and means of "Gaining the Interview." The man who has trouble in reaching the "Key-man" in an organization will find many suggestions. Under the title "The Approach" emphasis is laid upon personal appearance: the prospect first gives attention to the individual and secondly to his proposition. The thought of getting *full* attention is stressed. Ways and means of securing full attention are well discussed. Details involving use of business card, reference to prior calls, shaking hands, as well as retail selling are all dealt with.

The author borrowed from the National Cash Register School of Sales in that he grouped the sale into Approach, Demonstration and Close. Under "Demonstration," Mr. Russell makes the point that of the four or five steps in a sale but two of them are sufficiently tangible to be definitely segregated. These two are "Attention" and "Close." The others which he calls "Interest," "Desire" and "Confidence" he grouped under the head of "Demonstration." An important point that he makes is that when face to face with prospective buyer, one or more steps of the sale have been negotiated. As he puts it, "It is necessary to take the pulse of the interview." Upon "taking the pulse" the salesman must exercise judgment in determining just how much of the sale has been made. In this way he can build upon what he finds, rather than waste time, hazarding loss of attention and interest going over matter already known to and possibly agreed upon by the prospective customer. The need for "Painting the prospect into the picture" is brought out. The retail section of this chapter is particularly rich in suggestion. When discussing the "con-

fidence" element of the sale, Mr. Russell goes into quite a bit of detail concerning it. I feel that confidence in the sale is entitled to a bit more importance than Mr. Russell seems to give it in relation to other factors. An excellent point is made of the difference between positive and negative suggestions. He shows the fallacy of putting a question in negative form. Again the richness of specific instance is to be commended. In another chapter controlling the interview is gone into in excellent shape.

Perhaps the richest section of the book is under the heading "Meeting Objections," with particular emphasis upon the need for discovering the "concealed objection." The author emphasizes the fact that the seasoned salesman knows that objections are a sales aid. The five ways of handling objections as they are raised are enumerated as:

1. Direct denial.
2. The indirect denial, which takes the general form of "Yes—BUT."
3. The "Boomerang" method, which turns the objection into an argument in favor of the proposition.
4. The compensating or side-stepping method, which admits the weight of the objection, but points out some advantages which outweigh it.
5. The question which makes the prospect answer his own objection.

The reader is urged to build his information so that each one of the general objections may be handled effectively by building specific instances under all and any one of the five divisions above mentioned.

In his discussion under "Close" and "Departure" Mr. Russell voices a gem of a thought. He states that the Close is but one favorable decision among many minor ones already having been made during the interview. That is a point that, if well understood by salesmen, would certainly result in stronger closing. The point is made that a reserve argument should always be held back, ready for use in closing. Many suggestions are made for erecting

barriers behind the prospect. The "Get-away" portion of the sale is mentioned as an integral part of the sale. Naturalness and keeping control of one's self whether one is hurt or jubilant is emphasized. Many times the sale is not quite like the salesman wants it. Sometimes he is facing a turndown at the close of his interview. In either occasion the author urges that "naturalness" be the rule. Self-control at that point in the sale is more important than at any other.

The last chapter is devoted to selling dealers. Emphasis is laid upon the thought that a salesman must help the dealer market his and other merchandise in the dealer's possession—that the law of service is the prime rule in dealing with dealers.

Frederic Russell's book is rich in suggestions. In many respects it is a digest of the sound literature that has appeared in the past five years as well as a digest of the timely articles appearing in well-known sales and merchandising magazines. It is an excellent medium by which to gauge the completeness of your company's sales manuals. A sales manual fitting your salesmen's needs can readily be built by lifting out of Frederic Russell's book the things that particularly apply to your sales work.

H. T. BUSSMAN, *Vice-President,*
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Graphic Statistics in Management. By W. H. Smith. McGraw-Hill. N. Y., 1924. 350 pages. \$4.00.

A worth-while piece of work has been done by Mr. Smith in the preparation of "Graphic Statistics in Management." He has contributed little that is new in the application of graphic statistics to business, but he has brought together under one cover a large amount of basic information on this subject.

For the specialist who wishes to make an exhaustive study of any of the many uses to which statistics may be put in industry, there are many texts and shorter published articles that go deeper into the

various phases of the subject, but for the business man whose primary interest is to get a fair working knowledge of this subject, or the student who wishes to get a preliminary survey of the whole field before specializing, this book comes as a distinct contribution. The author's grasp of the technique of chart making and statistical analysis in general is good, as is evidenced by his emphasizing the essentials and the omission of the less essential and more detailed points.

Mr. Smith begins by a simple description of how a chart is made, then discusses the nature of statistics in general, classifies them as internal and external, primary and secondary, and tells of the principal sources from which statistics originate.

He then enumerates the principal statistical laws and discusses the necessity of comparability, correct arrangement of tables, and the various kinds of averages commonly used.

His chapter on chart construction is unusually complete, and it is profusely illustrated with examples of the various types of charts which he classifies into seven groups. He points out the imperfections as well as the good points of each type of chart and gives illustrations of their application to business.

Business men today are more keenly awake to the importance of studying the relationship of their businesses to the industries in which they are located, and to business in general than ever before. Mr. Smith recognizes this fact and devotes about one-fifth of his book to a description of the principal barometers of business, business services, and methods of analyzing these problems.

The last half of the book is entirely devoted to a description of the application of graphic statistics to the various phases of business such as purchasing, production, market analysis, sales, advertising, finance, accounting, costs, and general administrative problems.

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